

Department of Revenue

Departmental Overview

Joint Appropriations Subcommittee for General Government

March 6th, 2013



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Outline

- Authorizing Laws and Department Mission
- Budget Overview
- Division Descriptions

Authorizing Laws

- G.S. 143B-217 through 143B-245
 - Powers and duties of the Department
- G.S. 105
 - Taxation

Mission Statement

- Administer the tax laws and collect the taxes due to the state in an impartial, uniform, and efficient manner.
- Tenets:
 - Easy to do business with
 - Compassionate when called for
 - Firm but fair

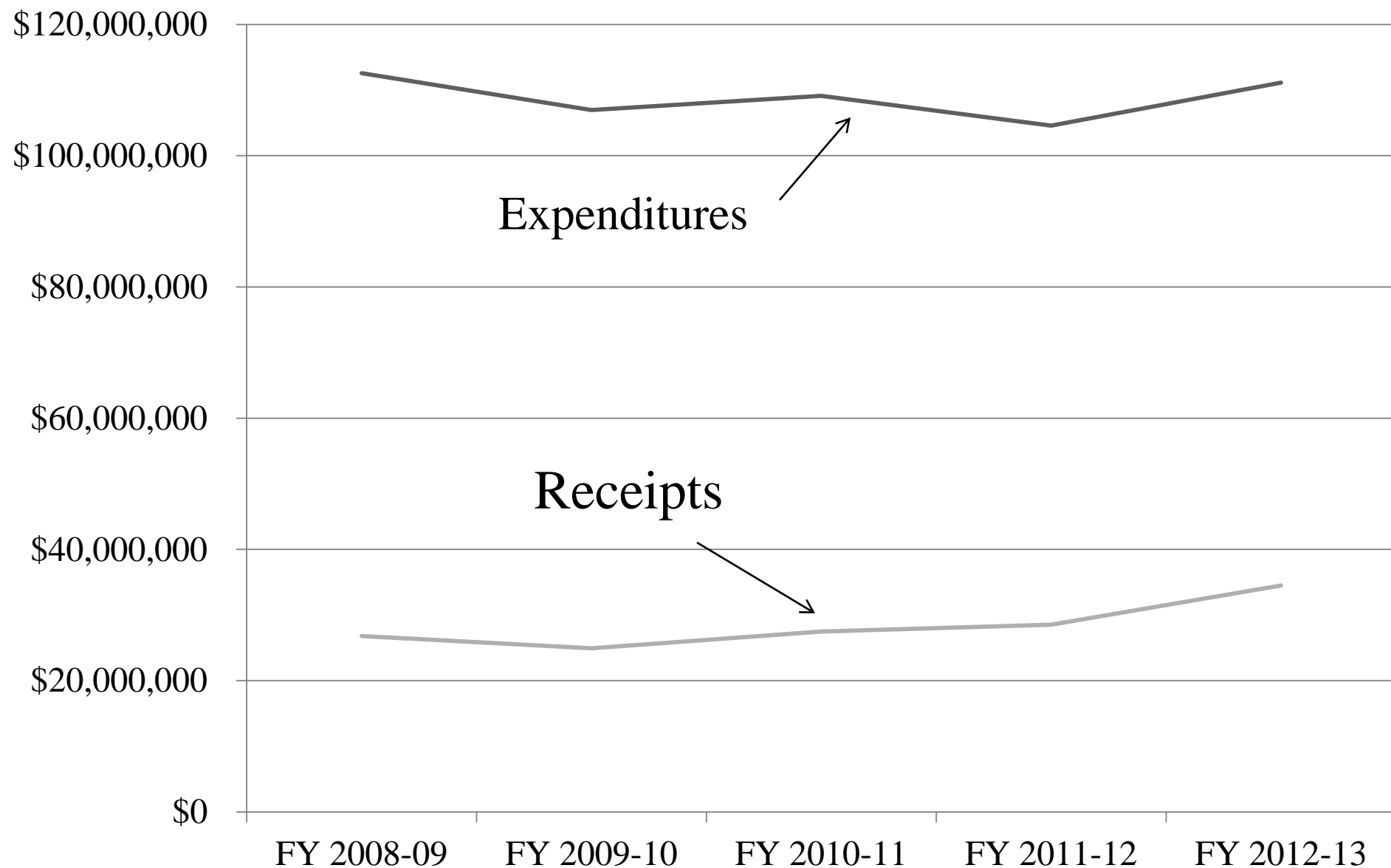
Roles and Responsibilities

- Enforce the tax laws and collect all taxes owed to the state
- Interpret the tax code
- Handle appeals
- Educate taxpayers

Budget Overview

	FY 2011-12	FY2012-13	FY2013-14	FY2014-15
Expenditures	\$104,571,688	\$111,147,491	\$116,104,545	\$116,104,545
Receipts	\$28,522,545	\$34,511,944	\$36,072,970	\$36,072,970
Appropriation	\$76,049,142	\$76,635,547	\$80,031,575	\$80,031,575

Expenditures and Receipts by the Department of Revenue

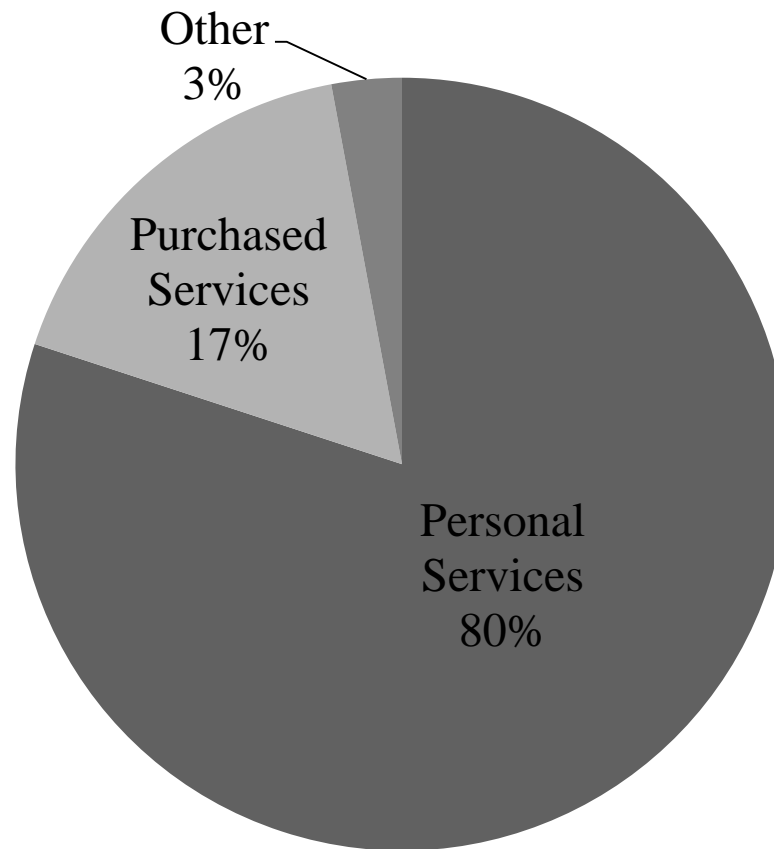


Expenditures and Receipts by Division

Code	Division	Expenditures	Receipts
1600	Administration	\$2,654,579	
1601	EPMO	\$527,292	
1603	Human Resources	\$1,542,814	
1605	Information Technology	\$16,565,206	
1607	Policy Analysis/Stats	\$526,255	
1609	Criminal Investigations	\$891,917	
1624	Income Tax	\$1,778,088	
1625	Excise Tax	\$90,787	
1627	Sales and Use	\$864,358	
1629	Local Government Div	\$2,633,134	\$2,633,134
1643	Taxpayer Assistance	\$8,069,521	\$287,031
1660	Collection	\$712,895	
1661	Project Collect Tax	\$16,591,888	\$16,591,888
1662	Taxpayer Call Center	\$6,040,724	\$6,040,724

Code	Division	Expenditures	Receipts
1663	Examination	\$23,927,610	\$47,046
1670	Unauthorized Subs Tax	\$1,619,875	
1681	Administrative Services	\$9,300,928	\$208,008
1683	Financial Services	\$806,906	
1685	Docs./Paymts. Processing	\$11,463,968	\$1,323,438
1700	Motor Fuels	\$4,887,945	\$4,887,945
1708	International License Registration	\$225,521	\$225,521
1710	Fuel Tax Compliance	\$1,610,338	\$1,610,338
1800	White Goods Disposal Tax	\$425,000	\$425,000
1820	Scrap Tire Disposal Tax	\$425,000	\$425,000
1830	Public Transit Tax	\$693,765	\$693,765
1640	Dry Cleaning Solvent Tax	\$125,000	\$125,000
1870	Solid Waste Disposal Tax	\$225,000	\$225,000
1900	Reserves and Transfers	\$47,600	

Breakdown of Expenditures



Major Budget Items

Information Technology	\$16,565,206
Project Collect Tax	\$16,591,888
Examination	\$23,927,610
Documents/Payments Processing	\$11,463,968

Description of Programs

- Most of the agency's operations fall under four main groups, each headed by an Assistant Secretary

Tax Compliance

Tax Administration

Business Systems

Information Technology

Tax Compliance

- Handles all the tax enforcement duties of the Department including examination (audit), collections, tax enforcement, special corporate compliance initiatives, and business operations
- Over 50% of Department employees work in these divisions
- Relies heavily on the Collection Assistance Fee

Collection Assistance Fee

- 20% surcharge placed on delinquent accounts
 - Set in G.S. 105-243
- Currently supports 355 positions within the Department
 - Mainly in the Collections Division
- FY 2011-12 Receipts
 - \$29,290,721
- Fund balance as of December 31, 2012
 - \$38,899,767

Tax Administration

- Interprets and administers the tax code, handles appeals, and educates taxpayers
- Income Tax (both Personal and Corporate), Sales and Use Tax, Property Tax, Excise Tax, and Taxpayer Assistance
- Comprises 29% of Department staff

Business Systems

- Divisions included Administrative Services, Documents and Payments Processing, TIMS Business Solutions, Process Maturity, and Human Resources
- Key responsibilities include processing \$100 million average daily deposit and processing 10+ million returns and payments

Information Technology

- Handles daily technical operations including business systems analysis, application development and procurement, maintenance, database administration, server/network support, and system software support
- Has approximately 125 employees plus contractors and technology consultants

Financial Services

FY 2012-13 Budget: \$806,906, FTEs: 11

Key Responsibilities

Manage the agency's budget

Annual financial audit

Reporting of collections and distributions

Revenue Research

FY 2012-13 Budget: \$526,255, FTEs: 8

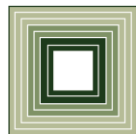
Key Responsibilities

Publication of reports and tax guides

Provide tax info to state and federal agencies

Respond to constituent requests

Tax Compliance



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Business Operations

- Manage the resolution of constituent issues
- Implement and manage special projects
 - Small Business Taxpayer Recovery Program
 - Individual Income Tax Debt Payment Program
- Process audits and resolve out of balance accounts
- Manage the Voluntary Disclosure Program
- FTEs: 19

Tax Enforcement Division

- Comprised of Criminal Investigations, Fuel Tax Compliance, and Unauthorized Substance Tax
- Enforces the criminal provisions of the revenue laws (criminal charges are prosecuted by the Attorney General's Office)
- Investigates violations of motor fuels laws and assess and collect Unauthorized Substance Tax
- FTEs: 39

Examination Division

- Administer the tax laws and determine the taxes due to the State
- Identify non-compliance; audit books and records; and recover lost revenue due the State.
- Current Initiatives
 - Cash intensive business audits
 - Fortune 500 audits
- 85% of employees in this division are auditors
- FTEs: 353

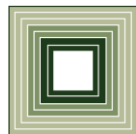
Special Corporate Compliance Initiatives

- Administer the Corporate Income and Franchise Tax laws
- Contact corporations who have overdue tax returns
 - Secretary of State can suspend the charter of corporations that owe back taxes
- FTEs: 11

Collections Division

- Manage the accounts receivable for most General Fund taxes
 - Collects taxes that are distributed back to local governments
- Secure Unfiled/Unpaid Returns for Business Trust Taxes
- Aiding the NC Attorney General's office in bankruptcy proceedings
- FTEs: 256, 80% are field based

Tax Administration



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Income Tax Division

- Administer the individual income tax, corporate income tax, franchise tax, withholding, gift tax, estate tax, and insurance premiums tax
- Educate taxpayers through publications, individual correspondence, and seminars
- Review appeals by taxpayers who do not receive a refund or are assessed additional tax
- FTEs: 18

Local Government Division

- Ensure that property taxes are administered in an equitable and uniform manner across the State
- Appraise and assess the property of public service companies
- Educate and certify local tax officials
- Investigate appeals to the NC Property Tax Commission
- FTEs: 28

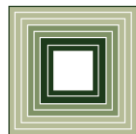
Taxpayer Assistance Division

- Respond to taxpayer questions
- Three levels of questions
 - Level 1: basic questions answered through scripted responses, utilizes call center employees – 63%
 - Level 2: questions regarding statutes, policies, and procedures – 22%
 - Level 3: questions that require staff to research and form an opinion on a case by case basis – 15%
- FTEs: 213

Sales and Use Tax Division

- Administer the State and Local Sales and Use Taxes, Alternate Highway Use Tax, Scrap Tire Disposal Tax, White Goods Disposal Tax, Solid Waste Disposal Tax, Dry Cleaning Solvent Tax, and the Certain Machinery and Equipment Tax
- Manage requests for review related to assessments and denials of refunds
- FTEs: 11

Business Systems



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Human Resources Division

- Provide personnel services to 1,300 full time employees and up to 400 temporary employees
- Current initiatives
 - Employee Recruitment and Retention Plan
 - Auditor Labor Market Study
- FTEs: 19

Tax Information Management System

Business Solutions Division

- Tax Information Management System (TIMS)
- Ensure that the TIMS functions in accordance with department requirements
- Run test scenarios to determine proper functionality
- Develop Standard Operating Procedures (SOPs) to support employee training
- FTEs: 23

Tax Information Management System

- Underlying information technology system for the Department of Revenue
- Primary release will occur this summer
 - Transfer all major tax schedules including individual income, corporate income, franchise, and sales tax
- 200 employees working on the transfer

Tax Information Management System

- Risks identified by the Department
 - Taxpayers will experience delays in the late summer and early fall as data is transferred to the new system
 - Cash management
 - Decrease in compliance revenue
 - Unable to process garnishments
 - Fewer audits conducted

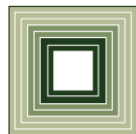
Documents and Payments Processing Division

- Deposit tax receipts
 - Done within 2 days in every month except April
 - April: done by the end of the month
- Provide imaging and data edit services
 - Responsible for correcting items with errors
- Register businesses for income tax withholding, sales and privilege license
- FTEs: 309 – 222 full time, 87 temporary

Administrative Services Division

- Physical building security
- Internal inventory control
- Mail operations
- Purchasing
- FTEs:27

Information Technology



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Business Services Support Division

- Provide basic support for hardware, applications, operating system, networking incidents, and printers
- Perform system tests
- Current initiatives
 - Modernizing the e-file system
 - Mobile device management
- FTEs: 26

Application Delivery and Support Division

- Develop, maintain, and support software applications for the Department
- TIMS support
- Database management
 - Business Intelligence (BI) efforts
- FTEs: 34

Technical Support Services Division

- Ensure the stability and reliability of production IT servers, disk storage subsystems, email, firewall, and networking infrastructure
- Provide training to agency employees
- FTEs: 28

Enterprise Project Management Office

- Initiative portfolio management
 - Provide support and guidance for the initiative investments made in business and IT
- Provide personnel and oversight for the agency's initiatives
- FTEs: 16

Information Security Division

- Manage the security systems
 - Firewalls, intrusion detection systems, and system vulnerability assessment software
- Ensure that all hardware, software, and networks meet security standards
- Train agency employees
- FTEs: 5

Questions